

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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While almost everyone believes all work is noble, jobs in the nongoods-producing sector are often maligned. Some unfairly label this sector as the home for low paying and undesirable jobs, the so-called "burger flippers." This could not be further from the truth. The nongoods-producing sector is the largest employment sector and consists of a variety of jobs. In fact, many professions, such as attorneys and physicians, are included in this category, not just "burger flippers." In this *Outlook* we present a short primer on this important and misunderstood employment sector.

First, we need to define what is defined as a non-goods sector job.

According to the North American Industry Classification System (NAICS), a goods-producing job is one involved with manufacturing, natural resources (mining and logging), or construction. So by exclusion, everything else is classified as nongoods-producing. It should be pointed out that these definitions are sometimes confusing and open to debate. For example, is a restaurant worker really a provider of food services or a manufacturer of meals? For purposes of this article we will stick with the NAICS definitions.

Like the nation, most of Idaho's nonfarm jobs are categorized as nongoods-producing jobs. In 2003, this sector accounted for over 80% of all nonfarm jobs in Idaho. Two of the largest employers are services and trade. Together they account for three-fourths of nongoods-producing employment and over 60% of Idaho total nonfarm employment. Services alone make up over 45% of total Idaho nonfarm employment and trade employment was about 17% of total employment.

The services category is the larger of the two categories. There were nearly 260,000 service-related jobs in Idaho in 2003 versus just under 97,000 trade-related jobs. The services sector can be split into its various components. The three largest services components are: professional and business services (70,172); education and health services (62,550); and leisure and hospitality services (54,202). The next group of service categories consists of sectors with employment of around 20,000. Financial services; transportation, warehousing, and utilities; and other services make up this group. The smallest sector is information services with about 9,200 jobs in 2003.

The trade category can be divided into retail and wholesale pieces, with retail being about three times the size of the wholesale component. Specifically, there were 96,814 trade-related jobs in Idaho in 2003. Of this total, 72,423 were retail jobs and 24,391 were wholesale jobs.

The non-goods sector also includes government jobs. There are two categories of government jobs in Idaho. The first is state and local employment and the second is federal employment. State and local employment consists of the 98,930 employees of the State of Idaho as well as all of its political subdivisions, such as counties, cities, etc. This category can be further divided into its education and administration components. In 2003, each component employed just over 49,000 persons. Idaho federal employment is somewhat smaller, consisting of 13,675 jobs. Most of this employment is non-defense related because the state has just one military base. However, the federal government is the state's largest property owner, so

most of its employment is in agencies devoted to managing these lands.

Obviously, the nongoods-producing sector consists of some of society's highest skilled and highest paid professions. It also includes low skill, low pay jobs. These jobs have been unfairly labeled as being undesirable. This is unfortunate. While an entry-level job may not demand the skills or receive the pay of a professional position, it serves a vital role in our economy. Many entry-level jobs fit this description. By definition, an entry-level job is the first job most workers hold. As such, it provides new workers the first rung of skills necessary to climb the employment ladder.

Not only is the nongoods-producing sector the largest employment sector, it is also an important engine of job growth. This can be seen in the historical data. From 1993 to 2003, Idaho nonfarm employment increased 137,024. Of this total, 125,243 were in the nongoods-producing sector. Put another way, nine out of every 10 new jobs were in the nongoods-producing sector. And again, contrary to a popular myth, not all these new jobs involved flipping burgers. Retail trade added nearly 15,000 jobs over this period and leisure and hospitality employment advanced nearly 13,000. On the other hand, professional and business services added over 33,000 jobs, while the health care and education (nonpublic school) component's employment rose by 25,600 from 1993 to 2003. Another sector showing healthy growth was Idaho state and local government. It grew by over 20,000. Clearly, many sectors contributed to the growth of the nongoods-producing sector, not just those traditionally associated with low skills and low pay.

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General Fund Update

As of May 31, 2004

<u>Revenue Source</u>	<u>\$ Millions</u>		
	FY04 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income tax	895.8	844.7	842.7
Corporate Income tax	100.1	85.4	81.7
Sales Tax	884.1	806.8	809.3
Product Taxes ¹	45.3	41.1	40.8
Miscellaneous	150.9	99.2	105.9
TOTAL GENERAL FUND²	2,076.2	1,877.2	1,880.3

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of January 2004

The General Fund revenue gap closed in May. As expected, individual income tax refunds fell far short of historical norms for the month of May, leading the way to a revenue picture that now stands \$3.1 million ahead of expectations with one month remaining in the current fiscal year. The other four major revenue categories also exceeded expectations in May, with exceptional strength in sales tax and corporate income tax collections. In aggregate, collections in May were \$28.8 million higher than predicted.

Individual income tax revenue was \$21.1 million higher than expected in May. On the collection side, withholding collections were \$3.6 million higher than predicted and filing payments were \$0.6

million lower than predicted for the month. Refunds were \$17.3 million lower than expected and miscellaneous diversions were \$0.8 million lower than expected. Filing collections are now \$4.4 million lower than expected for this point in the fiscal year, and withholding collections are \$6.3 million higher than expected on a cumulative basis. Refunds are \$4.8 million higher than predicted on a year-to-date basis, but it is expected that refunds will be several million LOWER than predicted by the end of the fiscal year.

Corporate income tax revenue was \$3.2 million ahead of target in May. This closed almost half the gap that existed going into May, with the result that cumulative

corporate income tax collections are now just \$3.7 million below the target.

Sales tax built on April's strong result, coming in \$4.0 million higher than expected for the month of May. This is the best monthly performance this fiscal year, and brings cumulative sales tax collections to a level \$2.5 million ahead of expectations.

Product taxes were exactly on target in May. The Product Tax category remains at \$0.4 million lower than expected for the fiscal year to date. Miscellaneous revenues were \$0.5 million higher than expected for the month of May due to strong interest earnings for the month.